

Shon Fletcher
Committee Secretary
Select Committee on the Scrutiny of New Taxes
The Senate, Australian Government
Parliament House, Canberra

8 Malvina Place
Carlton
Victoria 3053
Australia
T. +61 3 8344 3637
W. www.grattaninstitute.edu.au
E. info@grattaninstitute.edu.au

Dear Sir,

The Grattan Institute is responding to your invitation by email dated 1 August to make a submission to the Parliamentary Inquiry into the Carbon Tax Pricing Mechanisms.

The Grattan Institute responded directly to the Government's release of its Clean Energy Plan by way of a public media release and an Op Ed in the Australian Financial Review. We are supportive of the core elements of this plan and the proposed structural and governance arrangements that provide both investor predictability and future flexibility. We are particularly supportive of the approach to carbon pricing, as most of the elements are consistent with the principles espoused in our report "Markets to Reduce Pollution: Cheaper than Expected", released in December 2010.

However, we have concerns in several areas, mostly related to the fact and level of compensation provided to both domestic power generation plants and emissions intensive, trade exposed industries and to the mechanisms proposed to support new low-emission technologies. We have explored these issues in some detail in the following reports: "Restructuring the Australian Economy to Emit Less Carbon", April 2010, and "Learning the hard way: Australia's policies to reduce emissions", April 2011. We are also in the process of updating the former of these reports to reflect changes in circumstances since the report's release and the current exposure draft of the proposed legislation, "Clean Energy Bill 2011". The update will be released very shortly.

The Grattan Institute would be pleased to further elaborate on the above points and reports and to appear before the Committee to assist in its deliberations. Please note that all three of the signatories to this letter would be in a position to provide such input, so that we should be able to meet the Committee's timing with some flexibility. We look forward to your advice in that regard.

Yours sincerely,

Tony Wood

Tristan Edis

John Daley

Program Director, Energy

Research Fellow

CEO